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The President's Daily Brief

May 31, 1974

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THE PRESIDENT'S DAILY BRIEF

May 31, 1974

PRINCIPAL DEVELOPMENTS

According to sensitive embassy reports, Saudi Oil Minister Yamani believes Saudi Arabia can prevent a decision to increase posted prices at the Quito meeting of OPEC on June 15 and can force down world oil prices this summer. (Page 1)

There is a risk of military confrontation between Greece and Turkey in the eastern Aegean, but both sides seem to want to settle the dispute through negotiations. (Page 2)

In Cambodia, the present lull in military action is probably only temporary on some battlefronts. (Page 3)

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SAUDI ARABIA

Saudi Oil Minister Yamani believes Saudi Arabia can prevent a decision to increase posted prices at the Quito meeting of OPEC on June 15 and can force down world oil prices this summer, according to sensitive embassy reports.

Yamani has implied that if the other OPEC members push to raise posted prices at Quito, Riyadh will threaten to withdraw from active participation in OPEC, increase production, and unilaterally cut its posted prices.

Another Saudi strategy would involve holding a major auction of Saudi crude oil this summer. Yamani believes that, if two million barrels per day were put on the market, there would be a sharp decline in world prices--probably to about \$8.00 per barrel from its present price, which he gives as \$10.00-\$12.00. Saudi Arabia would obtain this extra oil for auction by "substantially" increasing production and by taking a share of participation oil from ARAMCO.

Yamani apparently has the support of both King Faysal and Prince Fahd in pursuing his objectives.

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TURKEY-GREECE

The arrival yesterday of a Turkish oil exploration ship escorted by warships in the eastern Aegean has raised the risk of a military confrontation between Greece and Turkey. Some military forces in both countries are on alert, but both sides want to settle the dispute through negotiations.

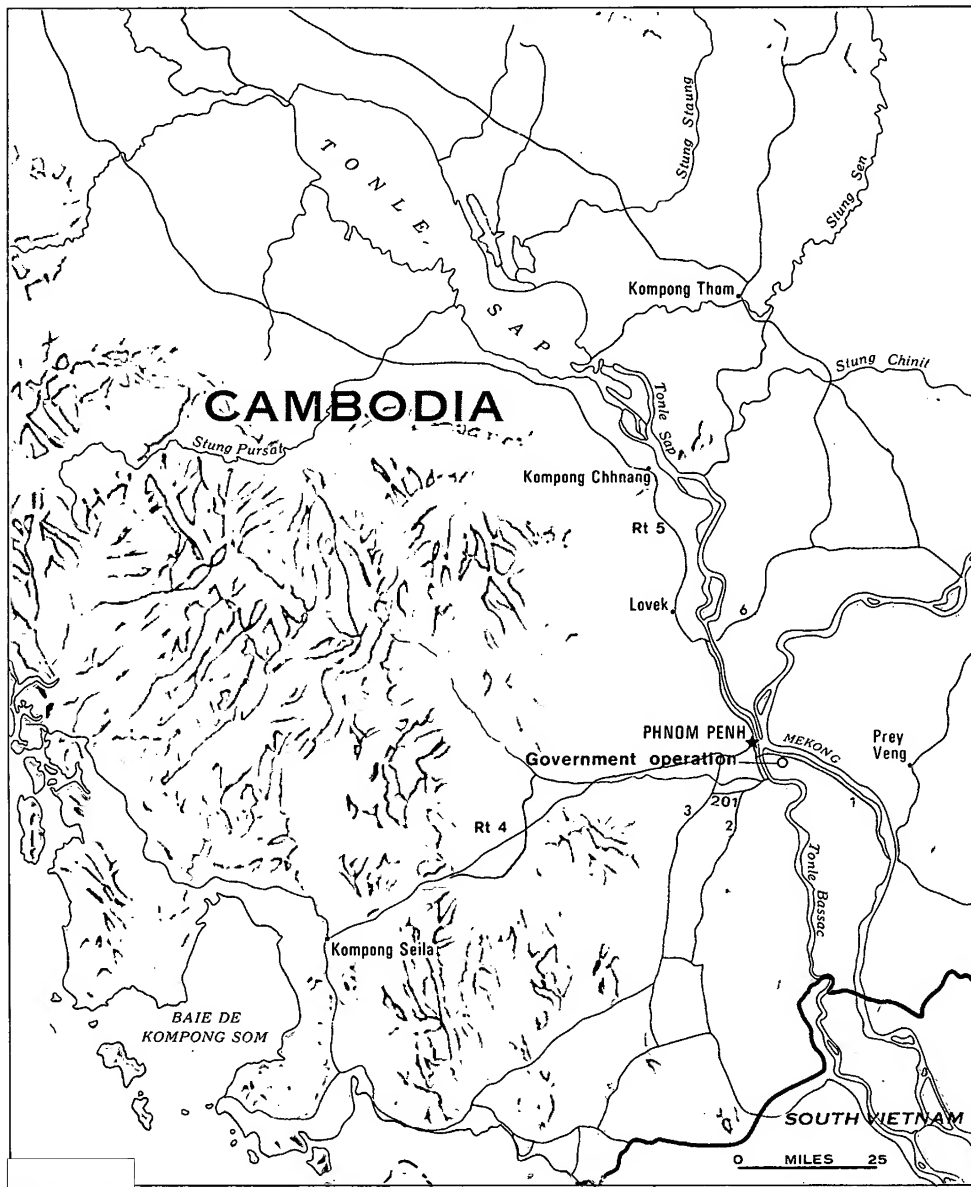
A Greek foreign ministry official has informed Ambassador Tasca that Athens is taking a "very serious view" of the situation, but that Greece will remain "cool-headed." Greek strongman Ioannidis has told a US official that he will try to handle the problem by "non-military means."

Ioannidis said that the Greek government had learned that Turkey had decided to send a "seismological" ship to the Aegean five days before Ankara announced it was doing so. He expressed anger that warships were also sent, but added that this was not "grounds for a military reaction." Ioannidis said his government would take whatever action is necessary if the Turks seem to be clearly preparing for "armed conflict" or if they begin drilling in waters claimed by Greece.

The US consul in Thessaloniki has reported that forces in northern Greece have been placed on alert and that fighter aircraft have been moved to the area. He also noted that one amphibious landing ship was loading army troops in Thessaloniki yesterday.

A high-level Turkish official told the US embassy yesterday that Ankara sent the exploration ship to "make it clear" to the Greeks that it intended to defend its interests in the disputed area. This ship, he said, would be in the area for about a week, probably accompanied by naval escorts.

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CAMBODIA

Military activity is for the moment relatively light. In the Phnom Penh area, Cambodian army units continue to meet moderate resistance as they try to force Khmer Communist troops from positions southeast of the capital between the Bassac and Mekong rivers. Insurgent infiltrators from this area and Communist gunners a few miles northeast of Phnom Penh are still within rocket and mortar range of the capital, but their sporadic shellings of the city have caused only light casualties.

North of Phnom Penh, government defenders at Lovek continue to repel minor attacks. Government forces that have been conducting clearing operations along Route 5 south of Lovek are resting and refitting. Elsewhere in the north, a Khmer navy convoy moved up the Tonle Sap River from Phnom Penh to Kompong Chhnang City on May 28--the first transit of that important supply waterway since the Communists began their interdiction campaign five weeks ago.

Communist pressure against the northern provincial capital at Kompong Thom and against Prey Veng City on the east bank of the Mekong River has slackened in the past few days. In the far southwest, the Communists are continuing to harass the government garrison on Route 4 at Kompong Seila, some 90 miles from Phnom Penh.

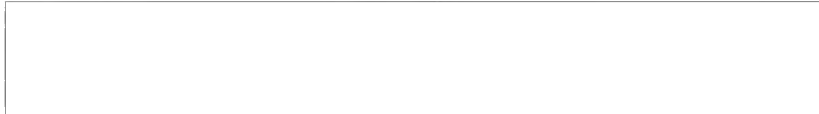
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ITALY



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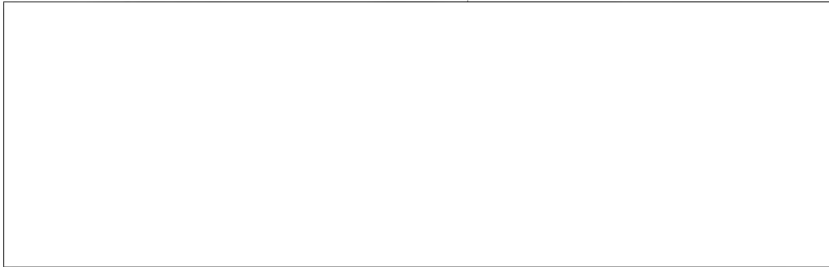


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